

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of-

Amendment of the Commission's
Rules to Establish New Personal
Communications Services

) GEN Docket No. 90-314
) ET Docket No. 92-100

) RM-7140, RM-7175, RM-7617,
) RM-7618, RM-7760, RM-7782,
) RM-7860, RM-7977, RM-7978,
) RM-7979, RM-7980

) PP-35 through PP-40, PP-79
) through PP-85

COMMENTS

Palmetto Rural Telephone Cooperative, Inc. ("Palmetto Rural") hereby submits its comments in response to the Commission's Notice of Proposed Rule Making and Tentative Decision in the captioned proceeding, FCC 92-333, released August 14, 1992 ("Notice"). Palmetto Rural is a cooperative local exchange carrier that provides service in certain areas of South Carolina. As stated more fully below, Palmetto Rural advocates that PCS technology be rapidly deployed and that local exchange carriers fully participate in personal communications services ("PCS"), both of which will foster the goals of the Commission and the Communications Act.

A. The PCS license areas should be the same as those for cellular and interactive video and data service.

In the Notice, the Commission proposes four options for the size of PCS license areas, the smallest being 487 "Basic Trading Areas" and the largest being nationwide.¹ Palmetto Rural contends

¹Notice at para. 60.

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that all four options involve areas that are unnecessarily large for the nature of the PCS offering. The Commission should look instead to the most appropriate and logical solution, which is the 734 MSA and RSA geographic delineations that the Commission currently uses for cellular service and Interactive Video and Data Service licensing. Commissioner Quello stated that the MSA and RSA designations should be seriously considered.²

A number of compelling reasons exist for implementing these smaller service areas for PCS. First, PCS technology with its use of microcells provides the capability of tailoring service to such smaller areas and, therefore, licensing of such areas is feasible. Second, they are the only option that recognizes the difference between metropolitan and non-metropolitan areas. Third, MSA and RSA designations will likely encourage broader participation in providing PCS, particularly by entities that are only interested in or have the resources to provide service to small areas. The Commission itself recognizes the likely benefit.³ Such participation would likely result in quicker dissemination of PCS to non-metropolitan areas of the country. It should also yield greater diversity and broader technical and service innovation than could be expected from a smaller number of regional or nationwide providers. The Commission also recognizes this as a

²Separate Statement of Commissioner James H. Quello, Re: Amendment of the Commission's Rules to Establish New Personal Communication Services, Erratum, released August 14, 1992.

³Notice at para. 59.

potential benefit.⁴ If all of these benefits were realized, they would enhance the Commission's goals for PCS, particularly encouraging competition, deploying new technologies, and universality.

B. Local exchange carriers should be allowed to provide PCS in their own telephone service areas.

The Commission tentatively concluded that there is a strong case for allowing local exchange carriers to provide PCS in their own exchange service areas.⁵ Palmetto Rural agrees with the Commission's conclusion and urges the Commission to allow local exchange carriers to offer PCS in this manner.

One of the most compelling arguments for this policy is the universal service obligations of all local exchange carriers. As technological advances have been made in this field, they have been implemented by the local exchange carriers, and have brought the telephone system from its inception using operator-assisted manual switchboards to the present fully automated digital system. The public has benefitted every step of the way. PCS is another new technology that can dramatically improve local exchange service if the local exchange carriers, who are the most qualified and therefore most logical providers, are not prohibited from participation by regulatory constraints. The Commission

⁴Id.

⁵Notice at para. 75.

acknowledged that PCS will likely first complement local exchange service and later become a full fledged competitor.⁶ The local exchange carriers must be allowed to deploy this new technology if they are to continue to meet their universal service obligations.

By their participation in PCS, local exchange carriers will facilitate the rapid availability and economical deployment of PCS due to their resources and expertise. Exchange carriers have: (1) expertise in providing existing telecommunications services, (2) the infrastructure in place, (3) the financial resources, and (4) the public service commitment to effectively and efficiently bring PCS to the public throughout the nation, in both metropolitan and non-metropolitan areas. Utilization of these resources would foster the Commission's stated goals of universality, speed of deployment and competitive delivery of PCS.

Local exchange carrier provision of PCS would also enhance the utilization of the public switched network by increasing its capability and efficiency. Just as the technological evolution of the network and local exchange service has benefitted both customers and all providers, including interexchange, cellular, and local exchange carriers, so too will local exchange carrier participation in the deployment of PCS enhance these carriers' ability to support all PCS providers' needs and facilitate the interoperability of different PCS systems. Development of

⁶Notice at para. 71.

compatible PCS systems will mean that any PCS customer can use a PCS device from any location. This is critical to the universality of PCS. In addition, exchange carrier participation and utilization of the exchange network will result in integration of PCS with that network. Such integration will allow PCS customers to utilize many intelligent network features of the public switched network. For all these reasons, local exchange carrier participation will assure that PCS will be brought to the marketplace as quickly as possible.

Local exchange carrier provision of PCS will benefit local exchange customers. As stated above, exchange carriers have historically implemented new technology as part of their universal service and public interest obligations. This has resulted in not only vast improvements in service and enhanced offerings but also greater efficiencies and lower costs to customers. Deployment of PCS is no exception. It would enable exchange carriers to operate more efficiently and thereby provide savings for existing and future customers. Also, participation in PCS would help offset possible revenue reduction which could result from customer migration from landline to wireless services. If such losses occur and are not offset, the remaining landline customers would have to cover the fixed service costs. Another aspect of the benefits to customers of allowing exchange carriers to provide PCS is the virtual assurance that PCS would be offered in non-metropolitan parts of the country. Non-local exchange carrier providers of PCS will look to serve the most densely populated and

more profitable areas first, leaving the isolated and less economically feasible regions unserved. It is vital that PCS be available to these non-metropolitan areas, both for the residents and for the economic development of those regions. The local exchange carriers have consistently demonstrated a commitment to service and have both the commitment and the ability to bring PCS to non-metropolitan areas quickly. For this reason, they should be allowed to offer PCS.

Local exchange carrier provision of PCS will also contribute to the competitive delivery of PCS. The level of interest in PCS by exchange carriers, both large and small, is evidenced by the number of experimental licenses for PCS filed by local exchange carriers and by their participation in this proceeding. This demonstrates that local exchange carriers would deploy PCS in their service areas. In so doing, they would provide expanded service offerings to their customers efficiently and economically. This would also result in opportunities for creative and adaptive PCS offerings. Taken together, these benefits of local exchange carrier provision of PCS should lead to enhanced competition by other providers and assure, as indicated above, that the infrastructure is adequately developed to foster PCS deployment.

In summary, local exchange carrier full participation in the provision of PCS would foster all four of the Commission's stated objectives for PCS.

C. Cellular holdings of local exchange carriers should not be a bar to the provision of PCS.

In seeking comment on local exchange carrier eligibility for PCS, the Commission refers to a possible bar by virtue of an exchange carrier's cellular holdings.⁷ In the discussion of cellular eligibility, the Commission proposes a severe ownership standard by which no party with an ownership interest exceeding one percent, direct or indirect, in a cellular license could have an ownership interest, direct or indirect, in a PCS license serving the same geographic area.⁸ The rationale for considering a cellular ownership prohibition for PCS is that cellular licensees could use their existing spectrum to provide PCS and that, if cellular licensees could acquire PCS licenses in their own service area, they could use them to inhibit competition.⁹

The effect of these policies, if adopted, would be to render any local exchange carrier ineligible for a PCS license if it holds virtually any interest in a cellular system serving its exchange area. Such a severe restriction is unwarranted. The Commission should take steps to eliminate this restriction. Palmetto Rural holds a minority interest in a cellular limited partnership in its exchange service area. That limited partnership holds a 50% general partnership interest in the

⁷Notice at para. 76.

⁸Notice at fn. 46.

⁹Notice at paras. 64-66.

wireline cellular licensee for the RSA in which Palmetto Rural's local exchange service area is located. The other 50% general partner and manager of that cellular system is a subsidiary of a large telephone holding company. Palmetto Rural does not operate and has no control over the cellular system. It cannot utilize the spectrum allocated to the cellular system serving the RSA in which its local exchange service area lies to offer PCS-type service to its local exchange customers.

If a restriction on cellular participation is enacted, local exchange carriers such as Palmetto Rural would be totally cut out from the PCS market. Furthermore, their exchange customers would be penalized because they would not receive the advantage that their local exchange carrier could offer in bringing them new PCS technology. The reasons for full local exchange carrier participation in PCS that the Commission and Palmetto Rural have advanced are persuasive. The Commission should not turn around and disqualify local exchange carriers because of a minority interest in a cellular licensee. Such a result would be totally unjustified and inconsistent.

D. A spectrum reserve should be created for all local exchange carriers operating in RSAs.

Palmetto Rural advocates that an adequate amount of spectrum be allocated for PCS and that licensees be permitted to apply for equal channel sets in each market. For the reasons stated below, Palmetto Rural urges the Commission to establish a spectrum

reserve for local exchange carriers serving RSAs to obtain one of the licensed blocks in order to provide PCS in their own exchange areas. Under this plan, one block in each RSA would be assigned to the exchange carriers serving that RSA. Those exchange carriers would individually use that block within their exchange areas. Specified construction periods and service dates could be required. A condition could be imposed that exchange carriers use this spectrum only as a part of their exchange service operations and not be permitted to resell it separately. Adoption of this proposal would be especially beneficial to smaller exchange carriers in the RSAs, such as Palmetto Rural. They will not be able to compete realistically in any "aftermarket" to obtain licensed spectrum in their exchange area because they would not be able to pay what a licensee could demand for part of a broad licensed area.

Palmetto Rural has advocated local exchange carrier participation in PCS as a means of assuring its deployment in all areas of the country. A very real need exists for the telecommunications infrastructure, including PCS, to be fully developed in non-metropolitan areas. The National Telecommunications and Information Administration ("NTIA") has specifically recognized the need to assure that such regions benefit from technological developments and do not suffer adverse economic and personal consequences.¹⁰

¹⁰National Telecommunications and Information Administration, NTIA Telecom 2000 at p. 90 (1988).

Palmetto Rural has also argued that PCS is a new technology that local exchange carriers should be able to utilize in providing local exchange service. This is particularly critical in non-metropolitan areas, such as those served by Palmetto Rural. The detrimental effect on exchange carriers serving these non-metropolitan areas, if they are unable to implement this technology, would be especially severe.

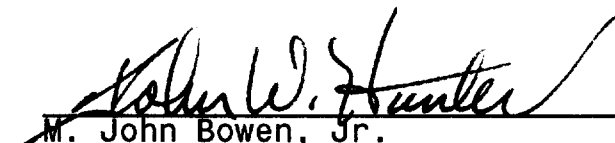
Conclusion

Palmetto Rural urges the Commission to adopt PCS licensing areas that follow current MSAs and RSAs. Palmetto Rural also advocates that local exchange carriers be eligible to become PCS licensees and that interests in cellular systems not be a bar to such participation. In this regard, a spectrum reserve of one of the allocated frequency blocks should be utilized for local exchange carriers whose exchange areas are in RSAs.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Shannon G. Eubanks, hereby certify that a copy of the foregoing Comments of the Palmetto Rural Telephone Cooperative, Inc. was mailed, postage prepaid, first-class United States mail, this ninth day of November, 1992, to the parties on the attached list.

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